

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: <u>Local Development Finance Authority of the Charter Township of Van Buren</u>	County Wayne
Audit Date December 31, 2003	Opinion Date April 15, 2004	Date Accountant Report Submitted To State: June 8, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- |   |   |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132])   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): <b>PLANTE &amp; MORAN, PLLC</b>			
Street Address 350 S. Main Street, Suite 200	City Ann Arbor	State Michigan	ZIP 48104-1923
Accountant Signature  <i>Plante &amp; Moran, PLLC</i>			

**Local Development Financing Authority  
of the Charter Township of Van Buren  
Wayne County, Michigan**

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**Financial Report  
December 31, 2003**

# **Local Development Financing Authority of the Charter Township of Van Buren**

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Plante & Moran, PLLC

Suite 200  
350 S. Main St.  
Ann Arbor, MI 48104  
Tel: 734.665.9494  
Fax: 734.665.0664  
plantemoran.com

## Independent Auditor's Report

To the Board of Directors  
Local Developmental Financing Authority of the  
Charter Township of Van Buren  
Wayne County, Michigan

We have audited the accompanying basic financial statements of the Local Development Financing Authority of the Charter Township of Van Buren (a component unit of the Charter Township of Van Buren) as of December 31, 2003 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the Local Developmental Financing Authority of the Charter Township of Van Buren's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Local Development Financing Authority of the Charter Township of Van Buren as of December 31, 2003 and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

As described in Note 1, the Local Development Financing Authority of the Charter Township of Van Buren has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of January 1, 2003.

*Plante & Moran, PLLC*

April 15, 2004

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# Local Development Financing Authority of the Charter Township of Van Buren

## Governmental Fund Balance Sheet/Statement of Net Assets (Deficit) December 31, 2003

	Governmental Fund	Adjustments (Note 1)	Statement of Net Assets (Deficit)
<b>Assets</b>			
Property tax receivable	\$ 199,940	\$ -	\$ 199,940
Restricted assets (Note 5)	11,844,864	-	11,844,864
Total assets	<u>\$ 12,044,804</u>	-	12,044,804
<b>Liabilities</b>			
Accounts payable	\$ 50,437	-	50,437
Accrued and other liabilities	-	247,404	247,404
Deferred revenue	199,940	-	199,940
Noncurrent liabilities (Note 4):			
Due within one year	-	395,000	395,000
Due in more than one year	-	27,804,656	27,804,656
Total liabilities	250,377	<u>28,447,060</u>	<u>28,697,437</u>
<b>Fund Balance/Net Assets (Deficit)</b>			
Reserved/Restricted for debt service reserve	3,038,296	-	3,038,296
Reserved for construction	8,756,131	(8,756,131)	-
Unreserved/Unrestricted	-	(19,690,929)	(19,690,929)
Total fund balance/net assets (deficit)	<u>11,794,427</u>	<u>\$ (28,447,060)</u>	<u>\$ (16,652,633)</u>
Total liabilities and fund balance	<u>\$ 12,044,804</u>		

# Local Development Financing Authority of the Charter Township of Van Buren

## Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund Balance (Deficit)/Statement of Activities Year Ended December 31, 2003

	Governmental Fund	Adjustments (Note 1)	Statement of Activities
<b>Revenue - Interest income</b>	\$ 109,632	\$ -	\$ 109,632
<b>Expenditures</b>			
Professional services	295,754	-	295,754
Other	16,042,760	-	16,042,760
Debt interest and issuance costs	<u>748,653</u>	<u>(503,972)</u>	<u>244,681</u>
Total expenditures	<u>17,087,167</u>	<u>(503,972)</u>	<u>16,583,195</u>
<b>Excess of Expenditures Over Revenues/ Change in Net Assets</b>	(16,977,535)	503,972	(16,473,563)
<b>Other Financing Sources</b>			
Issuance of long-term debt	28,199,656	(28,199,656)	-
Premium on bond issuance	<u>751,376</u>	<u>(751,376)</u>	<u>-</u>
Total other financing sources	<u>28,951,032</u>	<u>(28,951,032)</u>	<u>-</u>
<b>Excess of Revenues and Other Financing Sources Over Expenditures/Net Change in Fund Balance</b>	11,973,497	(28,447,060)	(16,473,563)
<b>Fund Balance (Deficit)/Net Assets (Deficit) - Beginning of year</b>	<u>(179,070)</u>	<u>-</u>	<u>(179,070)</u>
<b>Fund Balance/Net Assets (Deficit) - End of year</b>	<u>\$ 11,794,427</u>	<u>\$ (28,447,060)</u>	<u>\$ (16,652,633)</u>

# Local Development Financing Authority of the Charter Township of Van Buren

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## Notes to Financial Statements December 31, 2003

### Note I - Significant Accounting Policies

The Local Development Financing Authority of the Charter Township of Van Buren (the "Authority") is organized pursuant to the State of Michigan Public Act No. 281 of 1986. The primary purpose is to encourage local development to prevent conditions of unemployment and promote economic growth. This purpose is accomplished by the Authority collecting captured property taxes under a tax increment financing plan in accordance with state law and budgeting expenditures for improvements in the Authority's district boundaries.

Effective January 1, 2003, the Authority implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Changes as a result of Statement No. 34 include the presentation of combined governmental fund modified accrual and government-wide full accrual financial statements. As of and for the year ended December 31, 2003, adjustments were made to the amounts in the governmental fund for long-term debt and related accrued interest in order to arrive at the government-wide full accrual financial statements. The Authority has elected not to present a management's discussion and analysis.

The Authority is a component unit of the Charter Township of Van Buren (the "Township") and is included in the basic financial statements of the Township at December 31, 2003.

#### **Basis of Accounting**

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. There are no component units required to be included in these financial statements.

# **Local Development Financing Authority of the Charter Township of Van Buren**

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**Notes to Financial Statements  
December 31, 2003**

## **Note 1 - Significant Accounting Policies (Continued)**

The following is a summary of the significant accounting policies:

The government-wide full accrual financial statements (the statement of net assets (deficit) and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. For the purpose of the government-wide financial statements, the Authority reports a liability for the outstanding 2003 Local Development Finance Authority Bonds which will be repaid through captured property taxes in future periods.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

## **Note 2 - Budget Information**

The Governmental Fund has not been budgeted; therefore, a budget statement has not been included in the financial report.

## **Note 3 - Cash and Cash Equivalents**

The Authority's deposits of \$11,844,864 are included on the balance sheet as restricted assets.



# **Local Development Financing Authority of the Charter Township of Van Buren**

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**Notes to Financial Statements  
December 31, 2003**

## **Note 3 - Cash and Cash Equivalents (Continued)**

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The Authority has designated one bank for the deposit of its funds.

The Authority's deposits and investment policies are in accordance with statutory authority.

### **Deposits**

The bank balance of the Authority's deposits is \$11,844,864, of which \$100,000 is covered by federal depository insurance. The remainder was uninsured and uncollateralized. The Authority believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Authority evaluates the financial institution with which it deposits Authority funds and assesses the level of risk of that institution; only those institutions with an acceptable estimated risk level are used as depositories.

## **Note 4 - Long-term Debt**

The Authority's debt consists of 2003 revenue bonds bearing interest from 2.25 percent to 5.38 percent and maturing in 2032.

# Local Development Financing Authority of the Charter Township of Van Buren

## Notes to Financial Statements December 31, 2003

### Note 4 - Long-term Debt (Continued)

The annual requirements to service the outstanding debt are as follows:

	Principal	Interest	Total
2004	\$ 395,000	\$ 985,174	\$ 1,380,174
2005	650,000	973,418	1,623,418
2006	645,000	958,849	1,603,849
2007	650,000	943,467	1,593,467
2008	670,000	926,130	1,596,130
2009-2013	1,780,000	4,421,704	6,201,704
2014-2018	5,125,000	3,864,385	8,989,385
2019-2023	9,710,859	2,624,047	12,334,906
2024-2028	5,764,226	7,824,596	13,588,822
2029-2032	2,809,571	9,045,429	11,855,000
Total	<u>\$ 28,199,656</u>	<u>\$ 32,567,199</u>	<u>\$ 60,766,855</u>

### Note 5 - Restricted Assets

Restricted assets as of December 31, 2003 consist of cash and cash equivalents totaling \$11,844,864. These assets are restricted for the purposes of the 2003 Local Development Finance Authority bonds. A total of \$3,038,296 is for debt service reserves and \$8,756,131 is unspent bond proceeds to be used for construction. Fund balance/net assets have been reserved/restricted for \$3,038,296.

### Note 7 - Risk Management

The Authority is exposed to various risks of loss related to torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Authority is covered by insurance purchased by the Township for all claims.